

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES

2002-03 GOVERNOR'S BUDGET

HIGHLIGHTS

The 2002-03 Governor's Budget for the Department of Child Support Services (DCSS) provides funding to promote the well being of children and the self-sufficiency of families through the delivery of first-rate child support services and collection activities that contribute to meeting the financial, medical, and emotional needs of children. Total funding is proposed to decrease by \$204.5 million (M), or 17.1 percent over the revised 2001-02 budget. The General Fund (GF) budget is proposed to decrease by \$162.8 M or 36.1 percent over the revised 2001-02 budget. Major changes are discussed on page 3, Program Highlights.

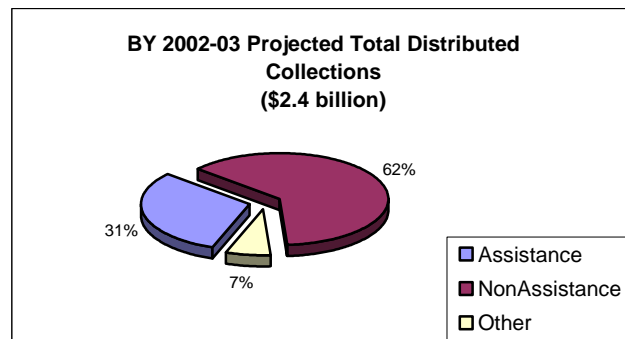
FUNDING SUMMARY

(dollars in thousands)

	FY 2001-02	FY 2002-03	Difference	Change
<u>STATE SUPPORT</u>				
State Support-General	\$ 29,173	\$ 27,047	\$ - 2,126	- 7.3 %
State Support-Contracts	<u>\$ 78,514</u>	<u>\$ 78,162</u>	<u>\$ -352</u>	<u>-0.4 %</u>
TOTAL, STATE SUPPORT	\$ 107,687	\$ 105,209	\$ -2,478	-2.3 %
General Fund	31,700	30,700	-1,000	-3.2 %
Federal Funds	75,815	74,387	-1,428	-1.9 %
Reimbursements	172	122	-50	-29.1 %
<u>LOCAL ASSISTANCE</u>				
Basic Costs	\$873,531	\$852,215	\$-21,316	-2.4%
Other Premises	<u>\$218,239</u>	<u>\$37,485</u>	<u>\$-180,754</u>	<u>-82.8%</u>
TOTAL, LOCAL ASSISTANCE	\$ 1,091,770	\$ 889,700	\$ -202,070	-18.5 %
General Fund	419,579	257,786	-161,793	-38.6 %
Federal Funds	327,722	283,957	-43,765	-15.4 %
Child Support Recovery Fund	344,164	347,636	3,472	1.0 %
Reimbursements	305	321	16	5.0 %
TOTAL, CHILD SUPPORT PROGRAM	\$ 1,199,457	\$994,909	\$ -204,548	-17.1 %
General Fund	451,279	288,486	-162,793	-36.1 %
Federal Funds	403,537	358,344	-45,193	-11.2 %
Child Support Recovery Fund	344,164	347,636	3,472	1.0 %
Reimbursements	477	443	-34	-7.1 %
AUTHORIZED POSITIONS	244.2	226.6	- 17.6	- 7.2 %

CHILD SUPPORT COLLECTIONS

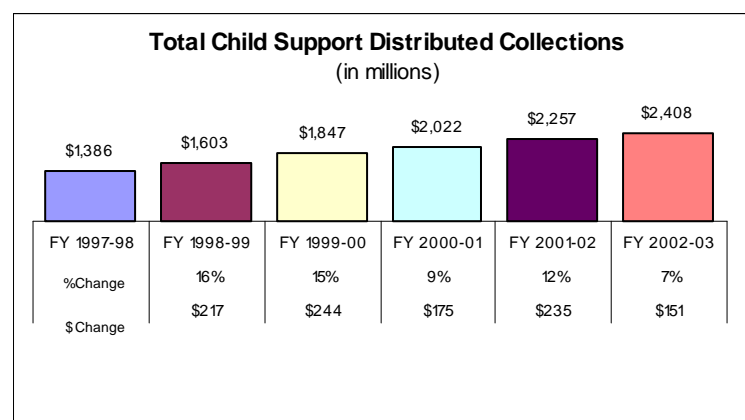
The Governor's Budget for FY 2002-03 projects distributed collections at \$2.4 billion (B), an increase by approximately \$151 M or 7 percent over the estimated FY 2001-02 collections. These collections are distributed in three ways: to the families as a child support payment, to the state as revenue to recover the assistance costs, and to other states. The distributed collections are categorized into three categories: nonassistance, assistance, and other.



NonAssistance Collections. FY 2002-03 proposes \$1.5 B, which is an increase of \$117.5 M over the estimated FY 2001-02 budget. These are collections that are made on behalf of families and sent directly to the families. They include basic collections (\$1.5 B), which are the ongoing efforts of the LCSA to collect child support payments from noncustodial parents and new premises (\$43.4 M), which are collections that are associated with new enforcement activities that are above the basic ongoing functions of the LCSA, such as Franchise Tax Board non-tax collections, and demonstration projects.

Assistance Collections. FY 2002-03 proposes \$740.1 M, which is an increase of \$20.9 M over the estimated FY 2001-02 budget. These collections go to repay the state and federal government for assistance payments.

Other Collections. FY 2002-03 proposes \$161.1 M, which is an increase of \$12.3 M over the estimated FY 2001-02 budget. These collections consist of assistance (\$12.5 M) and nonassistance (\$122.7 M) collections that are made on behalf of other states. Other collections also include the \$50 State disregard payment to families (\$25.9 M).



PROGRAM HIGHLIGHTS

State Support

The Governor's Budget for FY 2002-03 proposes a decrease of \$2.5 M (\$1.0 M GF) a 2.3 percent decrease from 2001-02 revised budget. Significant changes proposed for FY 2001-02 and FY 2002-03 are as follows:

- **California Child Support Automated System (CCSAS).** The Department is proposing to redirect \$4,254,000 of the \$4,400,000 in Pre-Statewide Interim Automated System (PRISM) contract dollars that is no longer needed for PRISM to the California Child Support Automated System (CCSAS) to fund contract oversight activities. These activities include providing oversight for system procurement, design, development, testing and implementation. The \$146,000 (\$50,000) is the difference between the redirected PRISM dollars and the CCSAS oversight funding.
- **Fiscal Reviews of Local Child Support Agencies.** An increase of \$400,000 (\$136,000 GF) in contract funding to complete the review and assessment of excess incentive funds in all Local Child Support Agencies, and upon completion, establish an ongoing audit function for administrative costs, collections, data reporting and reliability.
- **General Fund Reduction.** Due to the lower than anticipated GF revenues and other demands on the State GF, beginning in FY 2001-02 a reduction of \$965,000 (\$328,000 GF) and an additional reduction in FY 2002-03 of \$2,980,000 (\$1,013,000 GF) and 13.1 positions (12.4 personnel year) was made to the Department's State Operations budget for child support administration.
- **Other.** A decrease of 4.5 positions (4.3 personnel years) due to the expiration of 9.0 limited-term Policy positions effective 12/30/2001.

Local Assistance

Federal, state and county governments share the costs of operating expenses and the salaries and benefits of LCSA staff who administer the child support program. The federal government pays 66 percent of the total program costs and also pays a federal incentive based on the State's performance in five performance categories. State incentive dollars are used to fund the county share of costs that are not covered by the federal participation in the administrative costs and the federal incentive payment. The combined federal and state incentive payments equal 13.6 percent of total distributed collections.

Federal and state funds are used to finance the costs of a statewide-automated child support system, as required by federal law. The Franchise Tax Board (FTB) is the Department's agent for development of the statewide automation system, and the General Fund necessary to match the federal funds for development of the statewide system is reflected in FTB's budget.

Local Assistance (Continued)

The Governor's Budget for FY 2002-03 proposes a decrease of \$202 M (\$161.8 M GF), or 38.5 percent decrease over the estimated FY 2001-02 budget for funding local assistance costs. Significant changes proposed for FY 2001-02 and FY 2002-03 are as follows:

- **Alternative Federal Penalty.** An increase of \$5.5 M GF in FY 2001-02 due to the increase in administrative spending and a reduction of \$157.5 M GF in FY 2002-03 in anticipation of changes to the federal law that would provide relief from the Alternative Federal Penalty, which would otherwise increase to \$181.3 M.
- **Child Support Incentives and LCSA Basic Costs.** A decrease of \$10 M GF (\$30 M total funds) in FY 2001-02 to reflect the recovery of GF not currently allocated to the LCSA's in the current year. A reduction of \$10.5 M GF in FY 2001-02 and a corresponding increase to federal funds to reflect receipt of additional federal incentives due to the FFY 2000 Data Reliability Audit. An increase of \$14.4 M GF in FY 2002-03 and a corresponding decrease in federal funds due to the FY 2000 Data Reliability Audit and the phase-in of the five federal performance measures. In FY 2002-03 an additional \$25.3 M GF (\$74.4 M total funds) reduction to reflect realistic estimate of local administrative expenditures. The proposed funding reflects a 38 percent increase over actual 2000-01 expenditures.
- **Compliance Review.** A reduction of \$4.7 M (\$1.6 M GF) in FY 2002-03 due to shifting the funding of the Compliance Review Project to Basic Administration.
- **Foster Parent Training Fund.** A reduction of \$1.3 M GF in FY 2001-02 to reflect updated estimates and an additional reduction of \$1.0 M GF in FY 2002-03 to the Foster Parent Training Fund.
- **Program Suspensions.** Due the current budget situation, decline in California's GF revenues and other demands on the State GF, the following programs are in suspension.
 - **Improved Performance Incentives** A reduction of \$1 M GF in FY 2002-03.
 - **Health Insurance Incentive** A reduction of \$3.0 M GF reduction in FY 2002-03.
- **The following budget adjustments were made to reduce funding that is no longer needed for County EDP Conversions and Transitions to new LCSA's:**
 - **EDP Conversion and Enhancements.** A reduction of \$9.8 M (\$3.3 M GF) in FY 2002-03 as all counties complete conversion to the consortia interim systems by June 30, 2002.
 - **Backfill of FFP loss for County EDP Systems.** A reduction of \$2.5 M GF in FY 2002-03 and a corresponding increase in federal funds to reflect federal financial participation for county EDP maintenance and operations systems.
 - **Completion of County Transitions.** A reduction of \$1.6 M (.5 M GF) in FY 2002-03 as all counties are scheduled to complete transitions from the District Attorney's offices to new LCSA's in 2002-03.